Reduction in rate of interest on loans to farmers

†1571. SHRI DATTA MEGHE: Will the Minister of FINANCE be pleased to state:

(a) whether Government have decided to reduce the rate of interest on loans being provided to farmers;

(b) if so, up to what percentage the interest rate is proposed to be reduced;

(c) the steps taken to improve the economic condition of the farmers; and

(d) whether Goverment also propose to reduce the rate of interest even on the loans given to farmers for fulfilling their family requirements?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL) (a) and (b) To ensure that the farmer receives Short-Term Production Credit at 7% with an upper limit of Rs. 3 lacs on the principal amount for Kharif and Rabi 2006-07, the Government has decided to provide interest subvention of 2% per annum to Public Sector Banks and Regional Rural Banks (RRBs) on their lending from their own resources and refinance at concessional rate to cooperative banks and RRBs and RRBs on their borrowings from NABARD. Further, the State Governments have been requested to provide interest subsidy to Cooperative Banks on the amount of their own involvement to ensure that they can disburse ground level credit at a rate of 7% per annum. Reserve Bank of India (RBI) and NABARD have issued instructions to all public sector banks, RRBs and cooperative banks in this regard.

(c) Several policy initiatives have been taken to improve the economic condition of the farmers. Some of these are as under:—

(i) Farm Credit package was announced in June 2004 which included doubling of credit flow to agriculture in three years time and relief measures for farmers affected by natural calamities.

(ii) NABARD issued guidelines to operationalise the Kisan Credit Card (KCC) Scheme. So far 5.90 crore KCC have been issued to the farmers.

†Original notice of the question was received in Hindi.

iii) Special Agricultural Credit Plans (SACP) Scheme has been extended to Private Sector Banks from the year 2005-06.

(iv) Margin/security requirement for agricultural loans upto Rs. 50,000/- and for Agri-Clinics and Agri-Business loans upto Rs. 5,00,000/- has been waived.

(v) Vidarbha Package was announced for six suicide affected districts of Maharashtra.

(d) There is no proposal as yet.

Empowerment for States to Levy Tax on 67 Services

1572. SHRI C. PERUMAL: Will the Minister of FINANCE be pleased to state:

(a) whether there is any demand from State Governments regarding the empowerment of States to levy tax on 67 services which is currently being taxed by the Government;

(b) if so, the details of criteria on which the State Governments, may be empowered to levy tax as requested by them; and

(c) the action taken on the demands of State Governments?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) The issue of 'Giving the States the right to collect Service Tax on selected services of intra-State nature' is being discussed with the States in the context of working out a package for compensating the States for the revenue loss which will arise as a result of the proposed phasing out of the Central Sales Tax (CST). The issue under consideration is only that of the transfer of right to collect and appropriate the Service Tax proceeds from certain Services and not for transfer of right to levy the tax. The right to levy Service Tax continues to remain with the Central Government as per the Constitutional provisions. The Empowered Committee of State Finance Ministers (EC) has proposed transfer of 124 Services to the States (including 67 Services presently being taxed by the Central Government) considered to be of intra-State nature by the EC.

(b) The proposal is only for transfer of selected Services of intra-State nature to the States.

(c) The proposal is under consideration of the Government.